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**World Cotton Situation**



**Organic Cotton Production and Sector Development in  
Kyrgyzstan**

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### **Abstract**

There are currently 1.9 million farmers in 164 countries growing organically on more than 37 million hectares of agricultural land worldwide (IFOAM&FIBL,2013). The organic agriculture helps to build balanced ecosystems, improves socio-economic condition of farmers, provides access to dynamic markets and ensures quality as well as reputation. Organic cotton production in Kyrgyzstan was a response to degraded soils, mono-cropping and lack of access to markets for smallholder farmers after the collapse of the Soviet Union. The organic cotton production value chain in Kyrgyzstan has proven 27% more net profit for small farmers over conventional farming (CDE study, 2009). After 10 years of introductory and promotional activities in the sector, the organic agriculture has attracted great interest at various levels in Kyrgyzstan nowadays. The government, donors, private companies, several NGOs and farmers became aware and interested in organic farming as a profitable and feasible way of farming. As a result a Federation on Organic Movement, Bio-KG was founded to serve as umbrella organization between all organic stakeholders and maintain the organic sector development. With growing interest in organic agriculture it is important to create a conducive environment for all stakeholders. By focusing on consumer awareness and fostering the environment for organic agriculture in Kyrgyzstan the Federation can develop a good image and reputation of the country and create a comparative advantage for organic products from Kyrgyzstan for domestic and international markets.

### **Global Organic Agriculture Development Today**

The Organic Agriculture is one of the sustainable ways of farming today. International Federation on Organic Agriculture Movement provides the following definition for organic agriculture:

*“Organic agriculture is a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved”.*

In order to inspire and develop in full diversity the organic agriculture follows four principles of health, ecology, fairness and care.

According to the latest statistics the organic agricultural land (including conversion areas) increased to 37,5million hectares in 2012 in 164 countries worldwide (37mio in 2011, 11mio ha in 1999) and to 1,9 million producers (1,8mio in 2011,)<sup>1</sup> The biggest number of producers come from India (600'000), followed by Uganda (189'610) and Mexico (169'707).

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<sup>1</sup> Source: The World of Organic Agriculture 2013, IFOAM&FIBL

Despite of the growth of organic agriculture in the world, the global production of organic cotton has been declining in the recent years due to various reasons. Before 2010 the organic cotton had its boom and the demand was much higher than the supply. Afterwards various incidents like for example GMO seeds in India raised questions of integrity; natural disasters in Pakistan have decreased the total volume of production amongst other reasons. To ensure more integrity of organic production, the Indian government introduced a traceability and registration system (Tracenet), which is an internet-based electronic service offered by APEDA. TraceNet collects, stores and reports forward and backward traces and quality assurance data entered by the operators / producer groups and certification bodies within the organic supply chain in India<sup>2</sup>.

The biggest producers of organic cotton are India, Turkey and China out of 18 producing countries while Kyrgyzstan holds world number 12. Producers with smaller volume are often dependant on the world market prices which are used also as a basis to determine the price of organic cotton. The pricing mechanism in Kyrgyzstan for organic cotton for example is usually fixed based on the indicator of cotton worldwide, the Liverpool A index. A 20% of premium for organic production and certification is added. However, Indian cotton prices have been pressurized by brands and the premium obtained by organic farmers could hardly reach 8%. The global organic cotton production is affected not only by problems in the field of production but also strong competition in the market by newly introduced standards like, for example, the Better Cotton (BCI) Initiative which also claims to produce sustainable cotton.

A big variety of competing initiatives not only confuses the farmers during their production period but also consumers at the end who will not know the differences of various initiatives. These initiatives could try to complement each other and harmonize the requirements rather than competing at the production system level. The organic market is still strong with its reliable members and small countries like Kyrgyzstan will continue growing and promoting the organic agriculture. "There are also many 'sleeping giants' including China, Russia and India in this market, with growing middle classes who are beginning to consume organic food and may potentially consume organic textiles<sup>3</sup>". Despite of various constraints in the organic market development, the most important for our planet is to protect the nature and empower people to contribute to sustainable development.

### **Introduction of organic cotton in Kyrgyzstan**

Kyrgyzstan is a landlocked, mountainous country in Central Asia with only 7% of its 192.000 km<sup>2</sup> being agricultural land. Agriculture makes around 20,8% of GDP<sup>4</sup> where cotton, tobacco, wool and meat are the main agricultural products. The economy depends heavily on gold exports and on remittances from migrant workers. Kyrgyzstan was accepted into the World Trade Organization and is currently negotiating joining Customs Union of Russia, Belarus and Kazakhstan.

Cotton production is an important component of the economy, especially of southern Kyrgyzstan. The production of conventional cotton is linked with the intensive use of toxic insecticides and pesticides harmful to environment and health. Chemicals used in cotton production in the Soviet Union were one of the reasons for the ecological disaster of the Aral Sea. After the feasibility study and thorough analysis conducted in the Ferghana valley, the introduction of organic agriculture in 2004 was the response to address issues of decreasing soil fertility, pollution of irrigation water, low income of farmers due to

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<sup>2</sup> <http://apeda.gov.in/apedawebsite/TracenetOrganic/TraceNet.htm>

<sup>3</sup> ITC Report by Simon Ferrigno, Feb, 2014

<sup>4</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/kg.html>

collapse of collective farms. The expected benefits from organic farming were improvement of soil, air, water in and around the fields of farmers.

With establishing an organic value chain the farmers could get higher income, fair prices and long term buyers. At the same time farmers could get better health and were organized in socially stable farmer groups. As there was no organic market in Kyrgyzstan the organic main product, namely cotton was linked to export market which allowed the farmer groups to access international markets and get higher organic prices.

The Organic Cotton Production & Trade Promotion Project (BCP) started in 2003 and was building upon previous experiences of Helvetas Swiss Intercooperation and other organizations acquired in organic cotton production in Mali, India, Tanzania and other countries as well as in trade promotion in Europe. These experiences showed that switching to organic farming can contribute, both to an improvement of market conditions in the region and to the mitigation of serious health and environmental problems. The project introduced the concept of organic culture in Kyrgyzstan as a pioneer activity in Central Asia.

Over the last ten years the number of organic farmers and the volume of exported production increased from 38 farmers, resp. 24t of cotton fibre in 2004 to more than 1200 farmers and 300tons of fibre in 2013. The Kyrgyz organic producers have long years of business relation with the Cotonea brand of Elmer&Zweifel, a textile company from Germany. Bigger brands like H&M, C&A, Nike are usually too big for small producers and their demand and fluctuation cannot be matched by the supply of small initiatives. Today the production of organic cotton in Kyrgyzstan is managed by one farmer cooperative<sup>5</sup> “Bio Farmer” and comprises very small portion of total conventional cotton production. Bio Farmer cooperative unites small holder farmers having half a hectare in average and organizes organic and Fairtrade certification for its members along the value chain. There is potential for local processing of cotton but big investments are needed from the private sector and/or government. Additionally, it is also important for the producer organization to establish a value chain finance (via trade loans, pre-finance from a buyer) to make organic business work. The cotton dynamics in the chart 1 below shows steady increase of both farmers and areas since introduction of the organic agriculture in Kyrgyzstan. As the crop rotation is the basic requirement in organic farming there are some rotation crops value chain in parallel with organic cotton value chain being developed for local and export markets.

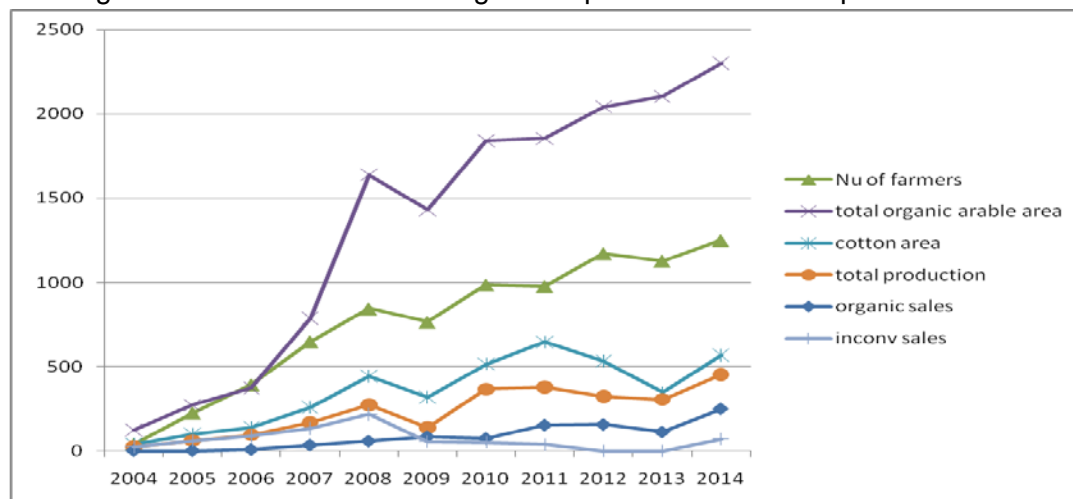


Chart 1 Organic Cotton production in Kyrgyzstan, 2004-2014

### Impact of organic cotton in Kyrgyzstan

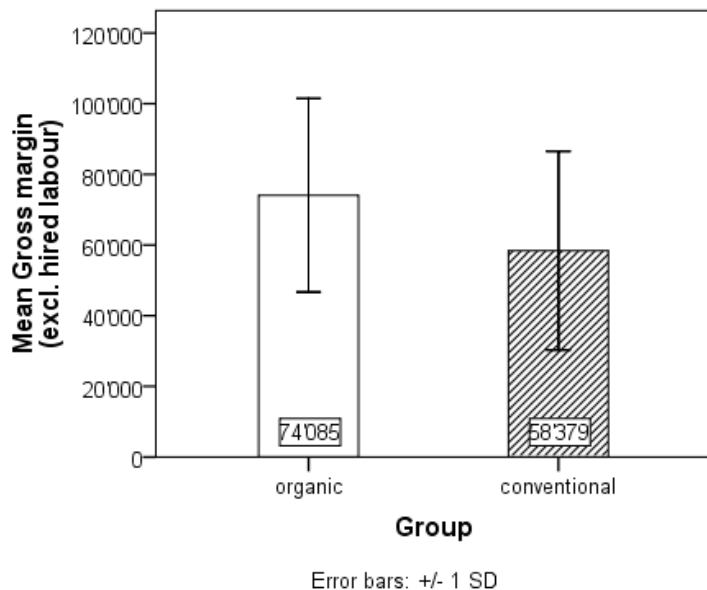
In 2009 a field study by the University of Bern assessed the impact of the programme on the socio-economic conditions of the farmers and on their soils. The study shows that

<sup>5</sup> Agricultural Commodity and Service Cooperative “Bio Farmer”, established in 2007



organic and Fairtrade production enable the producers to increase their income and at the same time to improve soil fertility and human health. Lower input costs, higher revenues and better access to timely credits increase the room for manoeuvre of organic farmers and reduce risk. They therefore can keep more livestock for manure and as a saving and are less urged to sell animals in times of need for cash. The majority of organic farmers observe increasing cotton yields after an initial decrease during the first two years of conversion, which they understand as a result of using manure, crop rotation, and the related improvement of soils. 95% of organic farmers reported an improvement of soil fertility and 88% better water holding capacity of soils compared to before conversion<sup>6</sup>. In 2008 organic farmers made 27% of net profit from cotton than their conventional neighbors, a statistically significant difference<sup>7</sup>.

The comparative analysis of organic and conventional has been continued by the project



**Chart 2 Gross margin of cotton in 2008**

and its partners during the following years. In general the price fluctuation in the world cotton market strongly affects the organic premium and profit of the farmer as well. In 2010 when cotton prices skyrocketed the organic cotton could not compete with conventional cotton. Still the strong relations build between the buyer and producer could protect the business and farmers continued producing organic cotton.

### Organic Sector Development

In 2012 the government of Kyrgyzstan attended the Rio+20 conference and adopted green economy as a strategic direction for sustainable development. The organic farming became one of the leading directions in the agrarian strategy of the country to ensure food safety, to preserve the environment and provide a conducive legal framework for all organic initiatives. Following that various actors in the country, i.e. producer groups, traders, support agencies and the government jointly formed an association of all stakeholders, the Federation on Organic Movement "Bio-KG" in 2012. The Federation serves as a national organic umbrella organization which has been officially launched during the First National Forum on Organic Movement in 2012.

In the same year, the Government of Kyrgyzstan and the National Organic Movement represented by the Federation decided to develop a Kyrgyz Organic National Action Plan (KONAP) as a road map for promotion of Organic Agriculture. The main objective of the KONAP is to set a national policy of Organic Agriculture in the country and promote Organic Agriculture. Additionally KONAP is officially integrated into the National Strategy for Sustainable Development 2013-2017 which was signed by the president in January 2013. The organic movement in Kyrgyzstan has attracted also neighboring countries to join their forces

<sup>6</sup> Impact Study conducted by Center for Development and Environment, University of Bern, Switzerland, 2009

<sup>7</sup> Fact Sheet of Impact Study from 2009, CDE

and develop joint regional organic network. The regional network established close cooperation with global IFOAM and is aimed to create regional organic standards. In the beginning of 2014, the regional network of organic countries have initiated establishment of IFOAM Eurasia which unites all CIS and Central Asian countries.

The Organic Agriculture in Kyrgyzstan needs to be protected from GMO seeds and products so that farmers can produce organically. The draft law about ban of GMO seeds and imported products has been initiated and the government is on the way to approve it. There are a few local initiatives which have already started promoting their products as organic for the local market. However, it is still a long way to go from awareness at all levels to local production and local market demand. On the demand side more marketing, awareness building and the creation of strong branding are needed where as on the production side – support to new producers, processors and related support services. And for the development of a local organic sector as a whole a supportive legal framework is a prerequisite. One project (or one local actor) is too small to develop the sector. At the same time volatile markets and political and social instability might hinder or slow down the growth of Organic Movement in Kyrgyzstan. It is expected that organic sector development in Kyrgyzstan and in the region will contribute to social and economic development in Kyrgyzstan and strengthen relations with neighboring countries towards sustainable development.

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